



WISCONSIN STATE SENATOR

DAVE HANSEN

SENATOR -- 30TH DISTRICT

ASSISTANT MAJORITY LEADER

Senate Bill 390 deduction of voluntary payments from retirement annuities under WRS

Committee on Labor, Elections and Urban Affairs

Wednesday, March 3, 2010

Thank you Mister Chairman and members of the committee. I am here today to testify in favor of Senate Bill 390, legislation to allow retirees that are receiving annuity payments under the Wisconsin Retirement System to have monthly dues payments to public sector retiree organizations and contributions to affiliated entities automatically deducted from their pension checks.

Under an automatic deduction system, retiree dues and other payments to a bonafide retiree organization or affiliated entity, on a totally voluntary basis, would be deducted from the retiree's pension check each month. The bill sets up the following parameters:

- 1) The retiree would sign a mutually agreed to membership application officially authorizing deductions from his or her retirement check;
- 2) Public sector employee organizations will have the ability to conduct blind mailings at their own expense to WRS recipients to recruit new memberships. The WRS list would remain confidential, with the Department of Employee Trust Funds maintaining control of all lists, and sending out materials through its own internal mailing process. Participant information would remain confidential; and
- 3) WRS would establish rules as it deems appropriate to operate the monthly deduction system in the most efficient manner.

This legislation passed the Joint Finance Committee last April but was not included as part of the final Budget package.

I am also introducing an amendment to the bill. Senate Amendment 1 addresses the concerns of the Wisconsin Retired Educators Association, WREA. Because WREA is not officially considered an "employee organization" the amendment would include them by adding a reference to included "a retiree organization that represents annuitants." Similar legislation has been introduced in the past that carried with it fiscal estimates ranging from \$56,000 to \$400,000. This current version minimizes the fiscal impact and creates a mechanism through which retiree organizations will pay for materials and mailings while preserving the privacy of WRS participants. In addition, ETF now has a new payment system which will facilitate deductions of this type.

Thank you again Mister Chairman and members of the committee. I'd be happy to answer any questions.

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P.O. Box 7882
Madison, Wisconsin 53707-7882
Phone: (608) 266-5670
Toll-Free: 1-866-221-9395
Fax: (608) 267-6791
E-mail: sen.hansen@legis.wisconsin.gov



**Testimony of Jerry LaPoint, President
Wisconsin/AFSCME Retiree Chapter 7
Senate Bill 390**

Good Afternoon. My name is Jerry LaPoint and I serve as the President of Wisconsin Retirees Chapter 7, an affiliate of the American Federation of State, County and Municipal Employees. I want to thank you, Chairman Coggs along and the other Members of this Committee, for giving me the opportunity to testify today on behalf of our retiree organization. I would also note that the national director of AFSCME's program, Steve Regenstreif, is also here, and will testify later, and address any technical questions you may have on this legislation.

The legislation I'm here to address, Senate Bill 390, would permit pensioners in the Wisconsin retirement system to sign voluntary dues deduction cards to maintain their affiliation with their union as retirees. For many years now AFSCME's primary method of dues collection for our working members -- here in Wisconsin and around the nation, has been through an automatic deduction on their paycheck. This bill simply allows retirees to continue to have their dues automatically deducted in retirement. For most of our chapters, dues are \$15.00 per member per year or \$1.25 a month.

Since the AFSCME retirees program was started in 1980, over 40 major public retirement systems have instituted automatic deduction and the list has grown by an average of two or three systems each year. They include many state funds, including Illinois, New York, Connecticut, Arizona, Washington, and most recently Minnesota. Computer technology has made it much easier to accomplish this administratively.

Let me emphasize that the decision to sign a deduction card is completely voluntary on the part of the retiree. If, at any time, a retiree wishes to cancel his deduction, all he or she has to do is drop a note to the retiree chapter. The retiree chapter immediately reports the cancellation to the retirement system and the member's deductions stop.

Most of our state chapters have subchapters that meet regularly on the local level. In Wisconsin, we have several subchapters around the state. When they meet, they like to socialize with friends from working days. They plan excursions, luncheons and community service projects, and invite guest speakers to their meetings. Speakers cover a variety of topics, providing information on pensions, Social Security and Medicare, wills and other legal matters, community resources, and health care. Our chapters also follow developments in their pension plans and other retirement benefits. On the Federal level, they monitor Social Security and other senior citizen issues in much the same way.

AFSCME hopes you will agree and will look favorably on SB 390. Thank you again for your time and consideration.



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**Testimony of
Steve Regenstreif
Director,
AFSCME Retirees**

**Before the Committee on Labor, Elections and Urban Affairs
of the
Wisconsin State Senate**

on

**-SB 390
Voluntary, Automatic Dues Deduction
from Pension Checks and Authorization Permitting
"Blind Mailings"**

March 3, 2010

American Federation of State, County and Municipal Employees, AFL-CIO

TEL (202) 429-1000 FAX (202) 429-1293 TDD (202) 659-0446 WEB www.afscme.org 1625 L Street, NW, Washington, DC 20036-5687

Good Morning. My name is Steve Regenstreif and I'm the Director of the national Retiree Program of the American Federation of State, County and Municipal Employees. I want to thank you, Chairman Coggs, along with the other members of the committee, for giving me the opportunity to testify today on behalf of AFSCME's statewide Wisconsin Retiree Chapter 7.

The legislation I'm here to address, SB 390, would permit pensioners in the Wisconsin retirement system to sign voluntary dues deduction cards when joining a labor affiliated retiree organization. In the case of union members in the workforce, the system is commonly known as "dues checkoff." For many years now, it has been AFSCME's primary method of dues collection for our working members here in Wisconsin and around the nation. In fact, most unions use a dues checkoff system, in cooperation with their members' employers.

Checkoff has been so successful as an efficient dues collection mechanism that, in 1980, when the union started the AFSCME Retiree Program, we sought similar mechanisms in jurisdictions where we had organized retiree chapters. Often it was accomplished through the legislative process, as we are attempting here.

Over the years, over 40 major public retirement systems have instituted checkoff from pension checks and the list has grown by an average of two or three systems each year. They include many state funds, including Illinois, Ohio, Connecticut, Maine and Washington State.

Automatic dues deduction has been extremely helpful to our retiree chapters. Nationwide, AFSCME has over 235,000 dues-paying retiree-members and many of our chapters which are run by our retirees have hundreds and even thousands on their membership rolls. Hand collection of dues can be a time-consuming and expensive procedure, often taking months to complete each year. Dues checkoff is a much easier process.

We start by working with the retirement system on the appropriate language and format for a checkoff card. Together, we try to devise the simplest and least expensive process for the retirement system to institute dues deduction. Once this is accomplished, retirees can voluntarily sign a card and authorize the retirement system to deduct dues every month for membership in AFSCME. The retiree chapter submits newly signed cards to the retirement system on a monthly basis.

Let me emphasize that the decision to sign a checkoff card is completely voluntary on the part of the pensioner. If, at any time, a retiree wishes to cancel his checkoff card, all he has to do is drop a note to the retiree chapter. The retiree chapter immediately reports the cancellation to the retirement system and the member's dues deductions stop.

In most cases, however, automatic dues deduction is just as convenient for the retiree as it is for the union. Once a retiree signs up, he never has to write a check or remember to pay his dues. This is especially important for those members who take advantage of AFSCME's special membership benefits, such as our low-interest MasterCard or discount legal services plan. An inadvertent lapse in membership for these retirees means cancellation of these benefits.

Many retirees find it more affordable to deduct a small amount of money from their pension check each month rather than write a check for a larger amount each year. For most of our chapters, dues are \$15 per member per year or \$1.25 a month. Of that amount, the Chapter and its local subchapters keep .95 cents and send .30 cents to the International Union as a per capita tax.

When dues are collected through checkoff rather than by individual hand collection and renewal procedures, AFSCME retiree chapters have a lot more time to devote to other social and educational activities.

Senate Bill 390 would also permit what is commonly referred to as a "blind mailing" for the purpose of membership recruitment. A "blind mailing" would alleviate the general concerns about maintaining the confidentiality of the list of pensioners and avoid any undue burden on the Wisconsin Retirement System. Under this proposal, the retirement system would furnish the names and addresses to either a mail house of their choice or to the mailing facilities of state government. AFSCME, in turn, would furnish sufficient quantity of printed materials to be sent to each retiree, along with payments for mailing services and postage. AFSCME would never see or be in possession of the list and confidentiality would be maintained. All costs for printing, postage and mail house charges would be borne by AFSCME.

Under the proposed bill, no vendor or commercial enterprise can obtain access to the list of pensioners. Only a bonafide public sector retire organization under the draft legislation would have access to a "blind mailing." The retirement system, at its own discretion, may review any proposed written material prior to a mailing.

We know that maintaining the confidentiality of the names and addresses of pensioners is a concern here in Wisconsin. It is also has been a concern in other states as well. That is why AFSCME came up with the idea of a "blind mailing" whereby we have a vehicle to communicate with retirees informing them about our organization, while at the same time maintaining confidentiality. Blind mailings are permitted in states such as Texas, Nevada, Illinois and Rhode Island.

AFSCME hopes you will agree with the purpose of this legislation and will look favorably on the institution of pension check-off and permit our Wisconsin retiree organization to do "blind mailings." We also support the amendment by Sen. Hansen which will permit other bonafide public sector retiree organizations to be covered by the provisions in this bill. Thank you again for your time and consideration.



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: March 3, 2010
TO: Senate Committee on Labor, Elections and Urban Affairs
FROM: Matt Stohr, Director of Legislation and Communications
SUBJECT: 2009 Senate Bill 390, Regarding Voluntary Payments from Wisconsin Retirement System (WRS) Annuities

The Department of Employee Trust Funds (ETF) and the Employee Trust Funds Board (Board) oppose 2009 Senate Bill (SB) 390. SB 390 does two primary things: 1) it requires ETF to deduct voluntary payments from the monthly pension checks of retirees and remit the payments to an employee organization, a retiree organization, or any other entity affiliated with either an employee or retiree organization; and 2) it requires ETF, at the request of an organization or affiliated entity, to mail to retirees any printed information and membership materials for the organization or affiliated entity.

Proponents of SB 390 will note the importance of strong retiree organizations. We recognize the importance of those organizations to retirees and the WRS. Such organizations serve as valuable resources for retired public employees to share common experiences and stay active in community activities. They also help ETF by serving as sounding boards for examining ways to improve our customer service. In addition, we work with these organizations on a regular basis to disseminate information about our programs, benefits and services. While the intention of SB 390 -- to support strong retiree organizations -- is laudable, we believe it comes at too high of a price.

We have 3 primary objections to SB 390:

- **Expectation of privacy.** Current law places a high value on the privacy of Wisconsin Retirement System (WRS) member data. The Bill's mailing requirement is a significant departure from current law, which exempts ETF's membership lists from public access and prohibits ETF from providing lists of retirees to any organization except as required for the proper administration of ETF's programs. Senate Bill 390 appears to place these privacy concerns behind the interests of employee, retiree and affiliated organizations. We also believe it sets a precedent for future inappropriate commercial or political use of ETF's lists.

- **Unwanted solicitations.** SB 390 would effectively require ETF to mail solicitation material to all 150,000 retirees, regardless of whether those retirees are actually members of an employee organization, retiree organization, or an affiliated entity. ETF has no way to track which private organizations WRS retirees belong to. Depending on the number of organizations interested in using this service, all WRS retirees could receive multiple mailings each year. We believe many retirees will not want to receive these bulk-mailed solicitations; ETF's mailing lists should not be used to distribute them among our retirees.
- **Use of Trust Assets.** ETF was established solely to administer public employee fringe benefit programs. ETF's operating budget is derived from a small portion of the investment income of the Public Employee Trust Funds. SB 390 requires these resources to be used for services unrelated to the benefit programs ETF administers. Although SB 390 directs the Secretary of ETF to charge a fee for the mailing component, it does not contain an appropriation to allow ETF to actually use the fee for operational purposes. In addition, ETF is not able to charge the organizations for the collection of the voluntary payments. Thus, general Trust Fund operating resources will be required to set up and administer this service. We believe that it is fair and appropriate to require employee organizations, retiree organizations and affiliated entities to pay for the services they receive to prevent the Trust Fund from subsidizing their operations and for those fees to be used to directly offset ETF's costs.

As referenced above, the Board, at its quarterly meeting in December, adopted a motion opposing SB 390 as introduced, especially the mailing component of the Bill. The Board was concerned with the use of ETF's mailing lists for purposes wholly unrelated to the administration of ETF's benefit programs and the precedential nature of that use.

We respectfully ask that you take no action on the Bill until the above concerns have been addressed.

I am happy to answer any questions you may have.

Thank you for considering our comments.